

August 16, 2022

The Honorable Gary Gensler, Chair
The Honorable Hester M. Peirce, Commissioner
The Honorable Caroline A. Crenshaw, Commissioner
The Honorable Mark T. Uyeda, Commissioner
The Honorable Jaime Lizárraga, Commissioner

Securities and Exchange Commission (SEC)
100 F Street NE
Washington, DC 20549

Dear Chair Gensler and Commissioners Peirce, Crenshaw, Uyeda, and Lizárraga,

Thank you for the opportunity to submit a comment in response to the SEC's proposed rules, Investment Company Names (File Number [S7-16-22](#)) and Environmental, Social, and Governance Disclosures for Investment Advisers and Investment Companies (File Number [S7-17-22](#)).

As a national consumer advocacy organization, the U.S. Public Interest Research Group (U.S. PIRG) is concerned that unsubstantiated environmental, social and governance (ESG) claims amount to greenwashing that misleads investors, particularly individual investors who neither have the time nor resources to thoroughly investigate and verify such claims.

Investors seeking investments in line with their values deserve accurate and transparent information.

Your proposed rules for how investment advisory firms and financial advisers can market ESG funds and how they must back up their ESG claims would provide investors the standardization necessary to improve the reliability and comparability of such funds.

The Investment Company Names Rule

We support your proposed amendment to the 80% Investment Policy so that it would explicitly apply to ESG funds. Prohibiting funds from being environmentally marketed if they do not in fact make environmental factors a focus is in the best interest of investors.

The final rule should ensure that specific environmentally-related terms don't mislead investors, for example by calling a fund "fossil free" if it includes contradictory investments.

Nor should fund names be allowed to suggest achievement of an environmentally friendly practice, such as "zero carbon," if the funds include investments in companies that are transitioning away from but still engaged in those practices.

The ESG Disclosures for Investment Advisers and Investment Companies Rule

Requiring asset managers who make ESG claims to disclose how they are selecting investments, engaging with companies, and achieving specific ESG impacts is welcome and long overdue.

In particular we support requiring the disclosure of:

1. **The methods used for implementing ESG strategies**

As proposed ESG funds should be required to indicate the method used to implement ESG strategies, including by index tracking, application of inclusionary and/or exclusionary screens, proxy voting, or engagement with issuers. Additionally, funds should indicate the E, S, or G factors and factors within E, S, or G, considered for each method.

Funds should be required to provide descriptions of proxy voting policies and explanations for proxy votes on ESG matters, in addition to statistics about such votes. Advisers should also be required to disclose ESG considerations in proxy voting policies.

2. **The ESG impact being sought**

As proposed impact funds should be required to disclose the ESG impacts sought in the investment objective section of their prospectuses and how the fund manager is attempting to achieve them and how success will be measured.

3. **The progress being made by asset managers toward those goals**

As proposed impact funds should be required to disclose the time horizon for progressing on impact objectives, and any key performance indicators used to measure the effectiveness of communication and other engagement with issuers.

They should also, as proposed, be required to disclose their progress on achieving ESG impacts. Such disclosures should be both qualitative and quantitative.

As proposed, funds that indicate proxy voting as a significant means of implementing ESG strategies should be required to disclose the percentage of favorable ESG votes.

In addition to the above comments, please find attached the names of 7,903 U.S. PIRG supporters who signed on to the following message in support of clamping down on investment fund greenwashing by adopting the two proposed rules:

“Dear Chairman Gensler,

Too often, “green” or “sustainable” mutual funds don’t live up to their environmentally friendly claims.

Thank you for proposing rules for how investment advisory firms and financial advisers can market ESG funds and how they must back up their ESG claims.

We urge you to issue these much needed rules, which will provide more accurate and transparent information for people seeking investments in line with their values. I also urge you to ensure that there isn’t wiggle room for environmentally-related terms to mislead investors, for example by calling a fund “fossil free” if it includes contradictory investments.”

Thank you for your urgent action to ensure investors are equipped with the information needed to make decisions in line with their values. Please consider us a willing partner for strengthening such protections, and feel free to reach out to Mike Litt at mlitt@pirg.org.

Sincerely,

Mike Litt
Consumer Campaign Director
U.S. Public Interest Research Group (U.S. PIRG)